

Gold in History and in Modern Times

(Together with a consideration of the world-economic crisis)

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Translated from the German by

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An examination of the present world crisis reveals great disturbance in nearly every important section of economic life. Supply and demand no longer fit each other, for what is the use of a supply for which there may in fact be a real demand, if there exists no corresponding purchasing power? The great polarities of economic life, upon the equilibrium of which all economic activity depends, have become completely isolated from each other. Factories, which used to be able to pay interest on the capital invested in them, stand idle, for they have no more money, the liquid capital being, for the most part, stowed away in the form of bars of gold in the cellars of Banks of the Great Powers, where it earns little or no interest. Here also the balance of economic polarity is disturbed. On one side of the world hosts of Chinese are starving, while on the other side an abnormal slump in the price of raw materials has resulted in the deliberate destruction of many such products, even of foodstuffs, in an endeavour to maintain prices. Brazil has nineteen million unsalable sacks of coffee. Many similar facts of surplus production could be cited in all producing countries. These are but symptoms of a widespread disturbance in the natural course of economic life.

In this article I wish to demonstrate how, in the special case of *Gold*, a change in the direction of economic development has set in with the dawn of the 20th century, a change which can only be wisely guided if it is clearly understood. The different systems of national economy which in the past developed along specific lines behind their respective

frontiers, have now begun to expand into a single system of *world economy* transcending all frontiers. As a consequence of this, thoughts and ideas that fail to reckon with the significant changes in the course of economic life which have come into being since about the dawn of the century are bound to prove more and more ineffective. It has not yet been possible consciously to organize a system of world-economy as such. The existence of this world-economy today is more or less veiled from the consciousness of men. It reveals itself only through crises; only through catastrophes does it impress itself upon human consciousness.

Within the growing fabric of this world-economy the separate, armed national economies lie embedded and each seeks to support its own life by competition or conquest at the expense of the general world-economy. The structure of this world-economic system is injured or disturbed by egoistic action on the part of any one of the national economies and such injury is reflected back as disturbance in the economic life of the very nation in which the cause originated. Therefore the development of world-economy demands a quality of thought capable of perceiving that, while egoism might have been a possible policy so long as national economies were mainly independent of one another, so long as they merely existed side by side with one another, nevertheless egoism proves itself to be an uneconomic and unworkable policy within a system of world-economy. Thus today two economic systems impinge upon each other: an older system of national economies, separated by frontiers, each armed to the teeth, each based upon its own group egoism, and a younger, unarmed world-economy expressing itself merely through catastrophes, within which the only fruitful actions – actions capable of future development – are those inspired by true unselfishness (altruism). Within this twofold economic system *Gold* is incorporated.

Gold has acquired a function which proved exceedingly valuable in economic activity; it served as a general measure of value and was thus able to exert a stabilizing influence on fluctuations of value within certain definite limits. This indispensable function of gold has, however, been practically brought to an end by the cessation of free traffic in gold. We shall see how, since the dawn of the century, gold has gradually ceased to fulfil its function, so that we must now learn to carry on, by other means, those functions which the gold mechanism had previously performed in a more automatic way. This change in the function of gold is connected with the transformation of the whole economic system and constitutes not

merely a problem in finance but is also symptomatic of a change that is extending into human consciousness itself. Insight which embraces a comprehension of the way in which changes in the process of economic life penetrate into and affect human consciousness, alone offers any prospect of enabling human consciousness to comprehend the nature of economic life in full clarity and thus become capable of guiding and directing it. In order to acquire this insight, however, it is necessary to realize the way in which human consciousness has changed itself in the course of history. Only a survey on the broadest possible basis will enable us to understand the nature of the change that is now being consummated. It is a change that does not belong to the minor fluctuations of the market which come and go, but is connected with the conflict between two Spirits of Time, one older and one younger, each struggling for supremacy. World-economy is the expression of a younger spiritual impulse that works towards the future. National economies are the expression of an older phase in the development of consciousness. They are therefore stronger and more mighty, but they are – precisely – older. Many observers of current economic life delude themselves in regarding these older, stronger forms as institutions that still have a future. This is an error. This error would be disastrous if it were insisted upon, for it would tempt mankind to adhere to the old ideas which were necessary for the older systems of national economy, instead of forming new thoughts and concepts with which to handle the problems of world-economy – a system of economy working as a single unit, extending over the whole earth, knowing no State or political frontiers.

The idea that evolution is proceeding in the direction of ‘Autarchy’ – *i.e.*, a collection of self-enclosed, self-sufficient systems of national economy – is tempting because events appear to justify those who support it. It is a fact that everything today is running into autarchic forms. Even free-trade England feels constrained to accommodate itself to the restrictions of protective tariffs. But do such things prove autarchy to be right? By no means; they only prove that the inclination to form new concepts and new ideas is lacking. It is certainly more comfortable to regard those forms and institutions as valuable for the future which seem to have the power of developing out of their own momentum, but it would be much more fruitful to set up new ideas of development in contrast to the old, to wrench round the helm of evolution, as it were, and thus to avoid mixing the past and the future. Economists of insight are well aware of this. Here it will be of service to become

acquainted with the thought of Ernst Wageman whose excellent book *Struktur und Rhythmus der Weltwirtschaft*, provides a good basis for a theory of world-economic transformation. He strikes out courageously for world-economy against the advocates of autarchy. He writes (page 359):

“The apocalyptic horsemen of the world-economic crisis have not only carried need and sorrow, care and despair into material existence; they have also heavily shaken the spiritual-political superstructure. The deluge-mood of world-economy previsages the approaching collapse of capitalism and it may be even the end of world-economy itself ...”

“The question regarding the end of world-economy appears to be the product of a diseased imagination and yet it is, after all, the question of a current journalistic problem that arises through a false generalization of temporary critical tendencies.”

Thus speaks a man who, supported by concrete practical experience, has yet been able to preserve an open view of the organic livingness of economics. One may even say that the blindness of many powerful leaders of national economy in other States induces a temporary compulsion to proceed in the direction of autarchic development. That must be admitted, but it is one thing to be compelled by external necessity to adopt the forms of autarchic development and quite another thing to explain autarchy as the future form of world-economy. The latter suggestion is certainly false. An autarchic development carried out in many States would simply mean further economic catastrophes for future times when the transition to world-economy will have to be taken up in real earnest. For those States that incline to ‘autarchy’ seek to avoid the importation of goods from abroad; they want to manufacture everything within the State frontiers, and thereby they increase one of the evils of the present time, *viz.*, the senseless duplication of economically superfluous means of production.

But let us turn our attention once again to gold. Gold was already a valuable object in the ancient world. The Egyptologist Breasted in his *History of Egypt* reproduces a script from which it appears that the Pharaohs possessed so much gold that foreign rulers could request gifts of this precious metal. Other examples of the possession of gold and gold

tributes are numerous in history, for example, an inscription on the Temple of Karnak which celebrates the victory of Thutmosis III, 1600 B.C., mentions a gold tribute. Yet in these ancient times there is mention only of gold bars and gold rings, never of gold coins. These appear for the first time in the Lydian-Persian kingdom. Herodotus tells of the immeasurable riches of the Lydian ruler Croesus who presented 117 bars of gold, each six spans long, three spans wide and one span thick, to the Oracle at Delphi. Each bar weighted $2\frac{1}{2}$ talents, making a total weight of about 9,000 kilograms (9 ton) of gold. In addition he gave to the Oracle a golden lion weighing 10 talents. As is well known, Cyrus conquered the kingdom of Croesus and thereby this wealth of Lydian gold came into Persian possession. Here we find gold coins. The stamping of the gold coins was, however, a matter of ritual which was reserved for the Persian king alone, the Satraps, the rules of Provinces, being only permitted to stamp coins of silver. India was the only exception to this rule. Herodotus reports that India supplied 360 talents of gold yearly and possessed the right to stamp coins of gold. The fact that money is of religious origin has been shown in an interesting way by Bernhard Laum in his book *Heiliges Geld*, an investigation into the sacred origin of money.

The Persian king was, at the time, the Priest of the Sun-God, Ormuzd, or, as he was known in Persia, Ahura Mazdao. 'Ahura' is the same word as the Indian 'Asura' and the Germanic 'Asen.' The Asen are Gods of Light and Ahura Mazdao is the greatest of the Gods of Light. Ahura Mazdao is that Being, as Rudolf Steiner has indicated, who dwells in the aura of the Sun. That which the Sun radiates around itself as light and warmth, but as an ensouling force as well, is the mighty Sun aura, the spiritualized Ormuzd. That which is rayed out over the whole cosmos in the great Sun aura is concentrated in gold which the Romans called *aurum*, for gold is verily condensed sunlight. *Aurum* is a concentrated *aura*. So, at least, it appears to an oriental. Laum also cites the interesting *Handbuch der altorientalischen Geisteskultur* (Handbook of Ancient Oriental Religions) of A. Jermais. "Gold was the symbol of the Sun; silver of the Moon." "The relative value of gold and silver during the whole of antiquity and far into the Middle Ages was in the relation of 1 : $13\frac{1}{2}$."

"We moderns," says Laum, "would like to explain these relative values by reference to the law of supply and demand, but this would be quite wrong. These

relationships of value arise rather, as Lehmann-Haupt first indicated, from the relationship between the circulation periods of the Sun and Moon. The solution is surprising, but when one reflects that so careful an investigator as August Boeckh brings the development of systems of weights and measures into connection with the astronomical observations of the priesthood, one will not wish to deny, *a priori*, the derivation of relationships of value from similar sources.”

Today, however, the relative value of gold and silver is 1 : 73.5. The turn of the century has revealed how, just as in the case of gold, all relationships are rapidly changing. The following table which gives the relative values of gold and silver from the years 1500 to 1931, is indicative of this: –

A.D.	1501 – 1600	...	1 : 11.3
	1851 – 1875	...	1 : 15.5
	1896 – 1900	...	1 : 33.4
	1911 – 1915	...	1 : 36.8
	1916 – 1920	...	1 : 22.5
	1921 – 1925	...	1 : 31.2
	1926 – 1927	...	1 : 34.7
	1931	...	1 : 73.5

The Persian ‘dareikos’ came to Greece and the Greeks stamped the dareikos with a value equal to a Greek gold-stater. After the plunder of the Delphic Oracle by the Phocæans, more gold came among the people in Greece. Everywhere it can be seen how the circulating gold coins, proceeding from sacred sources, were more and more secularized and at last became mere money.

Rome introduced gold coins comparatively late; they only became currency after the war with Carthage.

The foregoing considerations have indicated the sacred origins of gold-money, but a full presentation of the facts demands some reference to that which is comprised in the words ‘lust of gold.’ As soon as gold, in the form of coins, was estranged from its sacred origin, greed became the master. There is no doubt that in the very substance of the gold itself there is contained the power that so influences mankind. It is not merely the

attractive colour nor the indestructibility of gold that has made it so great an object of desire; something else is at work here. Gold is radiant, it contains within itself a hidden, sun-like power that radiates in all directions. The power works in a mysterious way upon the soul, but that it affects the body as well is indicated in the gold-therapy used in the Middle Ages, and also in our own time when the healing virtues of gold are again being recognized. Gold affects the circulation of the blood; it drives blood to the periphery, and is, by virtue of its connection with the circulating blood, a heart medicament. Gold penetrates the whole organism of man; it sends its radiating forces even through the marrow and steams, like rays of the Sun from the interior of the bones, at the points where the joints are situated. It brings about a warming of the joints and is therefore an excellent medicament for rheumatoid arthritis, the inner connection of which with the functions of the heart is generally well recognized. If we thus learn to know the character of gold in the domain of medicine, we shall better be able to understand its influence upon the life of the soul. It possesses a power that radiates out into space, a power by which man himself would like to be carried away, and that is why he wants to take possession of gold. In earlier times, man felt – especially the Germanic man – that gold brings blessing because it contains Sun powers with itself, powers that extend to cosmic distances, but that if these cosmic, expansive powers of gold fall victim to narrow egoism, then gold becomes a curse. No people have felt this so deeply as the Germanic races and it may be permissible here to make some references to the inner constitution of the soul of these people.

Already in the Eddas we find sayings that bear this out. In the prophesy of the seeress we find:

“Of cosmic wars, it was the first
When Gullveig with their spears they pierced.”

Gullveig is the being who dwells in gold. The Edda describes those processes which take place whenever gold has to be separated from its ore and purified. In the smelting of fine gold, the Germanic race sees a picture of the soul of man freeing itself from its inner dross. Gold was purified in earlier times by melting it together with a mixture of antimony or oxide of antimony. This substance absorbed the impurities so that the fine gold could be stuck away with a hammer when the mass had hardened. When gold had been melted with

antimony three times, three times driven through the antimony as the technical expression goes, then the gold is quite pure. In like manner must the soul of man be three times purified. The Germanic people feel the process which purifies the gold and the soul from impure slag as the first of all world wars.

Gold and egoism may not come together. That it does so happen, however, the continuation of the Edda shows us. There we are told that three 'Asen,' three Gods of Light, while battling with mighty nature-forces in a struggle with the giants, fell into their debt. These giants demanded death-money for their slain brother, Otter, who, taking the form of an otter, had been killed by the 'Asen' in the river. They desired to encase Otter in gold, *i.e.*, the death-money demanded of the Asen. The Asen dispatched Loki, the Germanic Lucifer, to the Rhine. There dwelt the dwarf Andwari. Loki caught him, for he had transformed himself into a pike, and demanded of him the gold treasure which he guarded. The dwarf gave up the gold, only keeping back for himself a ring. The ring was called Andwarnaut. It possessed the power of increasing possessions. Loki demanded this ring also. The dwarf said: 'A curse rests upon him who demands this ring.' But Loki answered: 'Let the curse act when I give the ring away.' And so the ring came into the possession of the giants. Loki wished to withhold it, but as a hair of Otter's beard was still uncovered by gold and the giants complained of this, Loki hung the ring on the hair. That gold is called Otter's penalty, strife-bringing ore, or compulsory gift. In modern language we say 'Reparations.' It is the gold on which hangs the curse, the curse of egoism, which steals from the vanquished the very last thing by which he might still further increase his possessions. In modern language: the means of production.

The Germanic man foresees the future in pictures. In mighty pictures the ancient wisdom warns us not to degenerate into egoism, but to administer gold in a selfless way. Siegfried killed Fafnir who guarded the gold treasure of the giants. Thus he also obtained possession of the ring. He placed it on Brunhilde's finger as his betrothal ring. The curse that hung on the ring then fulfilled itself on him and on Brunhilde. Siegfried must be destroyed for he had bound himself to a lower being (Kriemhilde) and had forgotten the higher, the Valkyrie. He had handed over his genius to another, the weak Gunther. So it happens that when a people forgets its mission, it loses its Valkyrie, its genius, for to the German, the genius of the hero is also the genius of those who follow him, and so his

misfortune also falls upon his companions. The Nibelungs must die. – All must die because of the curse that hangs on the gold. Gernot, the hero, proposed to sink the hoard of gold which merely brought enemies to Kriemhilde, in the Rhine. Hagen accomplished this; he sank the treasure in the Rhine at the very spot from which Loki had stolen it from the dwarf. Thus does destiny rule.

The gold must be given back again to nature when the egoism of man has profaned it. But Hagen, who knew the place where the treasure had been sunk, still lives. At the court of Attila, Kriemhilde demands the treasure back but Hagen keeps the secret. He dies, and also Kriemhilde; on both is the curse fulfilled. Only those heroes remained alive in the mighty battles of the Nibelung war who behaved without egoism towards gold, *i.e.*, Dietrich of Bern and Attila. Of Attila, this is historically testified. The Roman ambassador Priskus observed how Attila – whose suite ate and drank from gold and silver vessels – took his food and drink from wooden plates and bowls. And Dietrich is described to us as the conqueror of the dwarf king Laurin, the guardian of the golden treasure.

What gold does when egoism seizes mankind is shown to us in the Laurin saga. The power of gold (the dwarf king Laurin) steals the human soul from the community of mankind and banishes it, with all its interests, with all its life, into a subterranean region, into the hollow mountain. Thus Laurin stole the maiden Kühnhilde, but Dietrich of Bern rescued her. He overcomes the magic of Laurin, for he depends not upon gold. Nay, more: he not only frees Kühnhilde, he brings Laurin himself to the surface and so influences him that he becomes a Christian. He weeds him to a human soul, to Kühnhilde, and Laurin transforms himself into the form of a lordly youth. Did Dietrich's companion, the bold hero Wittich, recognize that a Sun power was hiding behind Laurin, the guardian of the gold? In any case we find in the Laurin poem, translated from the Middle High German by Ludwig Scharf, the following verse: –

“Hither riding came Laurin,
The Princes were awaiting him,
And as he approached more nearly,
So that they perceived him clearly,
Exclaimed Sir Wittich, the warrior there,

‘Now may God keep us in His care;
Sir Dietrich, trusty friend of mine!
That may well an Angel be,
Holy Michael the Wise
Riding forth from Paradise.’”

On those who do not succumb to egoism there shines, from the heart of the gold, the countenance of the Sun Prince, he who never desires to steal gold that he may possess it, but rather that he may administer it selflessly and faithfully for the healing of mankind. The saga describes Dietrich of Bern as such a one. He is a selfless administrator of gold and consequently friendship reigns between him and the East. Attila and Dietrich of Bern are allies. We have not yet achieved that which the saga has placed before us as a model. There still sounds against us as a terrible reproach the words of Rabindranath Tagore in his book *Nationalism*:

“Western nationalism is not founded on social cooperation but from its very beginning, right into its innermost nature, it is governed by the spirit of war and conquest. It has developed to the utmost as an organization of Might but has no spiritual idealism. It is possessed by the spirit of the beast of prey that will have its booty.”

It is impossible to hope for an understanding with the East until the West has learned to administer gold selflessly. The Knights of the Templars tried to pre-figure this in Europe. They brought powerful impulses of light from the East to the West and tried to unite these moral impulses of the East with the striving for reality of the West. As individuals they were without means and poor, but as an Order they administered great wealth. The Order functioned like a banking organization that worked without selfish aims. It was possible to pay an amount into a Templar House in any European city and give instructions that a similar amount should be paid out, say, in Jerusalem. In these Templars there lived a consciousness of the fact that Sun-powers lay hidden in gold, that world-expansive Sun-forces wish to release themselves from it. But these Templars had their opponents. Philip the Fair, Philip IV of France, is the first French King to issue a prohibition on the export of

gold. He did not wish to administer gold on a world-wide scale; he wanted to amass it in order to establish upon it the power of his State. He was therefore prompted by an impulse of egoism and greed to desire the destruction of the Order of the Knight Templars so that he might seize their treasures, at the very moment when the Knights of this Order were pouring out their blood to defend his person. During the course of an uprising in Paris, Philip had fled to the Templar House for safety and it was here that the idea of destroying the Order came to him, while the Templars themselves were fighting in the courtyard to protect him. It is worthy of note that later, in the time of the French Revolution, another French King was imprisoned in the Temple. Philip the Fair not only wiped out the Order of the Templars in France but he tried to do so in other countries as well. In Portugal, he did not succeed. Here, King Diniz, although urged to suppress the Order of the Templars, succeeded in making it possible for the existence of the money, property, statutes and knighthood of the Templars to be preserved under the name of the newly founded Order of the Knights of Christ. Henry the Seafarer belonged to this Order. The art of navigation and the impulse to world-wide voyages originate from the traditions of the Order of the Knights Templars. It was they who ushered in the age of world-discovery; it was they who laid the foundation for our present system of world-economy which cannot, however, prosper until its practical activity is united with those moral impulses which have always been regarded as sacred by the inaugurators of a New Age.

Although these voyages of discovery originated in pure impulses, these impulses were very soon polluted and even destroyed, for in the voyages of the Spaniards to Mexico and Peru, greed of gold became the inner motive. Here we perceive the same process as elsewhere. What has once been sacred is secularized. The Knights of Christ journeyed about the world in search of the mysterious Priest-King John, in order to unite with him in the fight for Christianity against Arabism. That impulse disappeared and greed of gold inspired and directed the later voyages. The Spaniards were received in Mexico as 'white Gods' but it was greed of gold and nothing divine that they represented.

We can easily imagine what satisfaction this greed of gold received when the natives handed over to the conquerors of Mexico a golden sun seventy hand-breadths in circumference, or when we reflect that the ransom for Atahlpua, the King of the Incas, was a sum equivalent to something like £800,000. The gold which thus streamed from America

to Europe at the beginning of the new age did not serve the impulse of the spirit of the new age, that of world-economy. It was used to finance its opposite.

As Rudolf Steiner has explained, the stream of gold and goods coming from America also changed the whole basis of prices in Europe. Prices in Europe were based upon the fact that goods tended to flow from East to West, up the Danube and down the Rhine. Hence on account of costs of transportation and greater scarcity, goods were dearer in the West than in the East. Merchants and trading folk sought to profit by this in its early phases by travelling through the Eastern cities in order to sell their goods in the West, where they would fetch a higher price. The Eastern cities protected themselves against this, for they did not wish to be left with nothing; they also wanted goods. Thereupon arose certain trading laws, for example, the 'Stapelrecht' in Vienna. This ordained that every merchant taking goods through the city must offer them for sale for three days and only those goods that were not sold were allowed to be transported further Westward. The whole trading arrangements of Central Europe were based on this flow of goods from East to West. When, however, America was discovered, these customary relations were disturbed by the goods and the stream of gold that flowed from West to East, and the whole system by which prices were adjusted was thrown into confusion. Through long experience the Middle Ages had so balanced prices that people in every kind of calling could find sustenance. This state of things passed away and the disturbance of the relative prices of the different kinds of goods has not yet been brought into effective order, even to this day. Indeed to this disorder, the later catastrophes – brought about by the forcible interference of the course of economic events by the action of political powers – adds new and yet greater disorder.

This disturbance rests for the most part on the very unjust distribution of the gold wealth of the world. Partly through this mal-distribution and partly for other reasons yet to be mentioned, gold has quite recently become scarce.

The fear that the stock of gold might become too scarce had already emerged in 1877, when the well-known geologist Edward Suess published a book under the title, *Die Zukunft des Goldes* (The Future of Gold). He sought to prove, by means of a searching inquiry into what was happening to gold, that in the none-too-distant future gold might become scarce. To be sure, the predictions of this excellent geologist were not fulfilled. The discovery of new sources of gold, the improvement in processes of extraction, the changes made by

some States in connection with their laws concerning standards of value so acted that by the year 1890 the danger of gold shortage had disappeared.

But this was only a passing phenomenon, for in our time shortage of gold, with all its consequences, has now appeared in a fundamentally decisive form.

Gustav Cassel, the well-known Swedish economist has made this gold shortage the subject of close investigation and many publications. We find expressions of this in his works: *Das Geldproblem der Welt*. (First Memorandum, *Dreimaskenverlag*, Munich, 1921); Second Memorandum 1922; also in the *Schriften der weltwirtschaftlichen Gesellschaft, Munster*, No. 18, under the title of *Währungstabilisation als Weltproblem*. Again there is an article in the *European Review* (Vol. 7, No. 9), 1931, under the title of *Die deutsche Geld und Kreditwirtschaft, etc.* Let us follow this excellent writer in certain things he says which are not merely of scientific interest but also of practical value. Even though Cassel only explains one side of the economic problem, viz., the money aspect, whereas, of course, the problem has another side too, namely, the goods aspect, it is nevertheless of the greatest importance to have one side at least of this important problem clearly stated.

What was the significance of gold during the period in which it was able to perform its proper function to the fullest extent? It was this: that gold values in economic activity could be regarded as really stable. In those times merchants had scarcely to reckon with fluctuations of gold values for, as Ernst Wagemann shows in his book *Struktur und Rhythmus der Weltwirtschaft*, gold values fluctuated so slowly and over such extended periods of time that change was only perceptible within the period of a generation. Now, however, they change, as Professor Cassel has shown, very quickly. After the Great War, gold values fell about 60 per cent., to rise again 30 percent. in one year. Stability of gold values had vanished and with it the function of gold as well, for this can only find expression through its stability. The causes of this violent fluctuation in gold values are as follows: –

Only in an economic system which gives complete freedom to economic activity, in which the natural course of economic activity is unhampered by State, political or military measures – in other words, only by the free movement of gold – will gold be able to maintain a constant value. Free traffic in gold has, however, ceased. A further cause of disturbance of the gold function lies in the fact that the major State Banks lock their gold

away in vaults. These processes are universal, in Germany as well. Only recently the Württemberg Notenbank exchanged dollar notes to the extent of five million marks for gold which was sent to it from America. There is, naturally, nothing to say against this; at the moment it is a dictate of prudence to exchange paper for gold. But in their totality these practices effect the complete destruction of the gold function. The American public are hoarding gold certificates and it has recently been brought home to France that the French people are banding together into small companies in order to exchange notes for gold, such association being necessary as the Bank of France will only pay out gold for notes on a demand of at least 250,000 francs. One can easily get information about these facts in the periodical *Die Tat*. In the November number, 1931, there appeared an article by Ferdinand Fried entitled *Die Auflösung* (The Solution), in which he sketches a clear picture of the movement of gold.

But the diminution in gold production itself, or at least its failure to keep pace with the increase in industrial production, also conduces to gold shortage. Concerning this, Professor Cassel gives the following figures. He says: "Gold production should increase by 3 per cent. yearly as goods production grows yearly by about 3 per cent. Thus the eighty-three thousand million gold marks (£4,150,000,000) should increase yearly by 3 per cent., *i.e.*, by two thousand five hundred millions (£125,000,000). Gold values could only remain constant if this were the case. As, however, the annual production of gold only amounts to about seventeen hundred millions (£85,000,000), a mere two-thirds of what is necessary, there appears a yearly deficit of some eight hundred million marks (£40,000,000) on the production side alone. Apart from this there is already a shortage of gold and this natural shortage is now greatly increased by the fact that France and America are claiming for themselves more than 50 per cent. of the world production of gold.

We can find much interesting information about these facts in one of the publications issued by Wollenberger and Co., Investment Bankers, Chicago, October, 1931. The periodical in question bears the title *Other People's Money: a monthly magazine devoted to the safety of Other People's money*. The October number of this periodical bears the title: *Gold: The Criminal in Hiding*. Herman Wollenberger shows in this article that not merely the capitalistic system but also the administration of gold has fallen into a state of confusion. The fact that gold secrets itself has a direct connection with the armaments of France.

Wollenberger proposes that we should adopt a silver standard. Even if we are unable to see any solution to the pending questions in such a proposal, this article shows at least what a lively interest economists in America take in the gold question. Certainly the gold question presents us with a problem that keeps the best brains in the economic world extremely busy. Nevertheless the effects of the gold catastrophe are widespread. A number of countries and even whole continents have been obliged to go off the gold standard. How the position of the individual countries appears in this connection is shown in a comprehensive survey by Ferdinand Fried in *Die Tat*, November, 1931. In the meantime, Japan has also found it necessary to put a strong mark of interrogation against its gold standard.* The gold standard is only maintained today by the United States of America, Canada, France, Switzerland, Holland and Belgium.

The departure from the gold standard is, however, a process which compels continuous extension. Because England has forsaken the gold standard she has drawn the Northern countries – Norway, Sweden, Denmark and Finland – with her. In Australia we have a whole continent that has released itself from gold, and in South America most of the states are at present in great financial difficulties. Listen to what Gustav Cassel has to say in the *European Review* about the conduct of France:

“When France draws to herself enormous masses of gold and regards her gigantic possessions of gold and foreign exchanges as an instrument of power, then it is to be feared that the gold shortage of the world will become still more acute. The consequence must be a continued fall of prices and further decline in the general economic situation. This implies a terrible increase of unemployment and a catastrophic growth of social unrest.”

It is no mere chance that it is precisely France and America which stand together in this connection, that they are drawing to themselves the gold of the world. This concentration of gold is connected with that form of economic development which is natural to France. The essential character of the French people leads them to centralize everything in France. It is an attitude strongly in contrast to that of the English.

* Very shortly after this pamphlet was published Japan forsook the gold standard.

It is true that the Americans are 'chips' of the 'English block,' but on account of the turn which her development has taken in the realm of finance, America has absorbed much of the French spirit. It is no mere chance that it was French help, French money and French protection which enabled America to gain her independence from England at the time when the United States were just beginning to organize themselves. In return, America influenced France through Franklin and Lafayette who carried the love of freedom and the world-embracing spirit of the English into that State which was the heir of the France of Louis XIV. This worked with explosive effect. For when the world-embracing spirit, the colonizing spirit of England, makes its influence felt within the centralizing impulse of the spirit of France, and explosion is inevitable. This explosion we know as the French Revolution. It originated in the soil of France as a result of the spirit of England, as Thomas Buckle has shown in an unsurpassed way in his history of English civilization.

It is important for Europe to realize that in America the spirit of France has woven itself into the English character and coloured it. In many a message of Woodrow Wilson's one could imagine one was reading the thoughts of Napoleon III. The English have always been a trading people and through their world-wide outlook have served the spirit of modern times; only when they have behaved too imperialistically they have relapsed into the outlived traditions of Rome. As a kind of compensation, a wise Providence has placed India by the side of England – India whose spiritual impulses are opposed in such a wonderful way to all that tends to Imperialism in England. India loves the Englishman as a fellow human being and as a representative of the modern age, but British Imperialism she does not love. We need only read a book like *My Life*, by Mahatma Gandhi, to realize what India can give England in the way of a spiritual corrective. America will probably have to learn her lesson from Japan. It appears to be a secret attribute of the Western nations that by the side of each, according to its destiny, an Eastern nation is placed. Thus China appears in association with France. An interesting book by Adolf Reichwein, *China und Europe im 18 Jahrhundert*, shows clearly how much of the Chinese culture has flowed into French civilization. Most interesting in this connection is what Reichwein says regarding the material from Chinese sources which has been used by Quesney, the founder of physiocratic national economy.

It always seems to me as if the East were a mirror of the West, reflecting back to us what we radiate to them. Whether the reflection reveals goodness or evil – for that, we are mainly responsible.

The East quite naturally declines to accept the European economic system, for it feels that what the West has here developed is mere rapacity, the spirit of the beast of prey. We have only to read *Nationalism* by Rabindranath Tagore, or the writings of Ku-Hung-Ming, and we meet such feelings everywhere. Therefore the East is obliged to reject European civilization and therewith the twentieth century. And yet this East is a true child of nineteenth century European development. It is only necessary to read Hans Kohn's *Geschichte der nationalen Bewegung im Orient* (History of National Movements in the Orient), published in 1928, and we shall be shocked to see how apt a pupil the East became in taking over the accomplishments, *i.e.*, the revolutionary and national movements of the nineteenth century. To these we must now add the machines of the twentieth century – telegraphs, telephones, radio, airplanes, submarines, guns, etc., etc. But the true spirit of the twentieth century, the *consciousness of world-economy*, was not taken over because Europe itself and with Europe the American West, failed to realize this demand of the time, this need of the twentieth century. Therefore danger threatens us from the East; the East as the 'Doppelganger' of our outworn past confronts us in enmity, but it would receive with inner joy the creations of the West if the West could only add a true social order to its stupendous array of machines. But the greatest obstacle to the attainment of a truly social order lies in the present temper of politics which interferes with and has a disturbing influence upon the natural course of economic activity and prevents economic life developing peacefully according to its own laws. And the principle instrument of this interference is *gold*.

Gustav Cassel was right when he said: –

“If the world really wishes to see gold established again as the common measure of value, the different countries must first come to a common understanding with regard to a general restriction of their need of gold as a basis of currency.”

But will they come to an understanding in this sphere? Perhaps, after all, this alternative, also mentioned by Cassel, is alone possible:

“It is so indeed: the only reasonable decision in the face of such a problem remains the immediate and final abandonment of gold as a measure of money”
(*Das Goldproblem der Welt*. Second Memorandum, p. 38/39).

Confronted by these facts, all eyes turn to England, for this land according to its tradition is clearly marked out for leadership when it becomes necessary to make way for the world-wide spirit of the new age.

But we note with sorrow, how England, for the moment, against her own inner convictions, has been driven by force of circumstances to adapt herself to a system of Protection, thus embarking upon a policy to which everyone, everywhere, seems to be committed.

Everywhere in the world we see this tendency to autarchy. But even if the whole world should allow itself to be committed to this form of development, it would be a step backwards; it would be a victory of the eighteenth and nineteenth centuries over the twentieth which, by this yielding, will demonstrate its inability to express its own world-embracing, earth encompassing impulses in the face of its powerful spiritual enemies which are working from the past. We find an interesting article on the situation of England in this connection in the morning issue of the *Berliner Tageblatt*, of Sunday, 8th November, 1931. Dr. Jul. Hirsch makes a report on currency-theories in England. He informs us that three tendencies are at work. One desires to stabilize the £, but on a lower basis, as the earlier stabilization has been false; then there are two other ideas, the one represented by J. M. Keynes, the well-known writer on economics, who hopes for understanding in the international affairs relating to gold, the other being represented by Sir Basil Blackett, a Director of the Bank of England. The report says:

“An International regulation of currencies can obviously not be expected for the time being owing to the attitude of the two great gold countries. In consequence, it would be better if Great Britain and its Empire would carry through for themselves a plan that should be the goal of understanding the currency on the basis of a goods-value-index which could be framed according to the average of a very large number of such prices.

Sir Josiah Stamp has described modern economic institutions as being as helpless as the saurian's of hoary antiquity.

They react in an incredibly slow and clumsy way to every new stimulus and when at last they do move they have lost at least three chances of moving in the right direction. If, therefore – so argues Sir Basil Blackett – the other great industrial nations feel no indication to abolish the universal slavery occasioned by this fluctuation of gold values and gold stocks, if they do not want stability of prices, Great Britain at any rate should create a condition of stability within its own Empire. In future, then, one should no longer measure the value of the £ in terms of gold but rather as corresponding to certain values in goods indicated by a goods-value-index compiled from the average values, as shown by the whole saleprices of a wide variety of goods. In the place of a currency based on the gold standard we would substitute a currency based on an index figure of wholesale process. Here the first aim should be to stabilize price conditions within the British Empire. If the gold price falls, *i.e.* the price of goods as quoted in gold, the £ sinks with it at the same rate and *vice versa*. The relation of the £ value to the goods value will therefore remain constant. If the gold-possessing States like to raise the price of gold further, *i.e.* to drive the price of goods still lower, then a sterling system thus regulated will automatically lower the value of the £ in gold correspondingly and strengthen for the time being the competitive position of the British Empire, at any rate in relation to the outer world. As gold prices rise and fall this “regulated” £ moves with them. In this index-pound-system the most important Dominions – with the exception of South Africa – will be included and, if they wish it, also the Northern European countries whose close association with the English £ is one of the economic necessity.”

These remarks clearly show how in regard to the gold problem France and England are diametrically opposed to each other. But in addition to that they show the antithesis between world-expanding and naturally-centralising concepts or ideas, and here we are face to face with two opposing Time-Spirits. The spirit of modern times is not permitted simply to build the structure of world-economy on the universal and really human basis that has been made possible by modern industrial technique and the division of labour, but instead, political powers, held in the grip of their narrow outlook, compel States like

England to adhere against better judgment to a policy which definitely belongs to the past and which must finally lead to autarchy.

In order to reach firm ground in the discussions that are raging for or against gold as a standard of value, we will now acquaint ourselves with the function performed by gold in the classic age when it was fully and freely operative.

It worked as follows. – Each State in which gold values ruled had a currency law which determined that, out of a certain quantity of gold, so many units of a definite value should be stamped. Another State had a similar law. In this way it was possible to compare values. So many units of one currency are equal to a definite quantity of gold. It was therefore possible, because the quantity of gold remained the same, to re-coin the one currency into the other, merely incurring the expense of the re-coining and the transport cost of moving the gold for this purpose from one country to another. This relation of currencies is called ‘Parity.’

Ernst Wagemann says in the first volume of his *Geldlehre*, Berlin, 1923:

“The rate of exchange between two gold standard countries is practically determined by the parity if there is free interchange of money. At the most it moves between the two so-called gold points that arise through the cost of gold transport and the cost of re-coining one value of coins into the other. Any tendency to go above the gold point – provided there is free traffic in money – is checked by the fact that no one would willingly agree to pay a higher price for foreign currency than he would have to pay for converting low currency into foreign currency or *vice versa*.”

We see that gold acts like a pair of scales, holding the balance. Gold values fluctuate at the most between the upper point at which gold export is encouraged and the lower point at beyond $\frac{1}{2}$ to $\frac{3}{4}$ per cent of the value. Let us now get this function of gold clear. Gold is money of a definite currency. It is melted and then ceases to be money and become merely a commodity. It is again newly coined and is thus again transformed from a commodity into money. Thus the function of gold lays fundamentally in the fact that at one time it can be money, at another time a commodity. Now it can be proved that since the beginning of this century gold has shown an increasing to forsake its money function and to

assume merely the character of a commodity. This reveals itself, for instance, in the fact that since the beginning of this century, gold, like any other commodity, has become more and more dependent for its value on the cost of its production. Concerning this, Ernst Wagemann says the following in the book, *Struktur und Rhythmus der Weltwirtschaft*, p. 328.

“Since the beginning of this century the production of gold is definitely determined by the amount of its cost of production and is therefore also influenced by the technical methods of production.” ...

“Up to the second half of the nineteenth century, the cost problem played quite a subordinate part in the production of gold; now, however, it has become prominent.” ...

“If therefore to-day gold production is largely determined by production costs, one might come to the conclusion – since costs are no other than price – that price governs gold values and through these the whole price level and thereby again the production cost of gold.”

But what does this mean? It means that since the beginning of the century gold has become a different thing to what it was in the former times. The transition from national economy to world-economy asserts itself more and more strongly, and world-economy through its own inherent laws has the tendency to divest gold of its money function and to make it a mere commodity. It becomes more and more a commodity and no longer performs the regulating function as of old, that is to say, mankind is now faced with the task of carrying out in clear consciousness the regulating functions that gold had hitherto effected automatically. The gold function which adjusted the balance between the separate national economies through re-coinage and the timely import and export of gold must be replaced by something else in a system of world-economy which, being a complete unit with no frontiers, knows nothing of import and export. And here we come to the very heart of the world-economic problem of to-day.

It is true that there does not yet exist a complete system of world-economy in which there are no frontiers, no imports, exports and no different currencies, but national economies which as neighbours simply steal from each other the things they lack – these

also no longer exist. They did exist at the time of the wars of conquest which Louis XIV conducted. In those times, while theft might not be particularly beautiful or noble, it was economically practical. The conquering State simply took from its neighbouring States what it lacked itself. Somewhat later, colonies were founded and the needs of the white race were supplemented by exploiting the coloured races. Then began the growth of the world-economy which, through the interlinking of the economic processes of all countries, produced a situation in which any injury to another State, just because it injured therein a position of the world-economic system, recoiled upon the aggressor who was also a part of the system of world-economy. And so robbery simply became bad business, *i.e.*, egoistic. It might not be noble, though it was economically possible. World-economy, however, must rest upon unselfishness, upon altruism.

This world-economy is not yet here, but it is on the way. Its approach makes itself felt with increasing force and the economic catastrophe of the world is a symptom of the damage inflicted upon the economic life of the single States when the world-economic system is disturbed. But within this unarmed and as yet weak system of world-economy which, however, is strong enough to have produced the crisis, the armed national economies are embedded and are fighting for their existence. *The tremendous task which faces humanity today is to effect the transition from national economies to world-economy, from economic egoism to international understanding in the field of economics.* This, however, is only possible if it is fully realised that the extension of economic activity beyond the boundaries of the national economies into world-economy makes the detaching of economies from political control an imperative necessity. This separation of economies from politics is an economic necessity. Those nations who have acquired great possession of gold, are checking, through the power of gold, the just and effective administration of the economic system.

But this opposition arises mainly out of a justifiable human endeavour. The individual nations rightly feel that the preservation of their national character, even as expressed in their economic life, is a legitimate aim.

It is justifiable even in the realm of economic life for a nation to express its individuality.

The very diversity of the national temperaments makes this natural. The attitude of the English to economics is quite different from that of the French, for both people have quite different temperaments. We can readily perceive this when a Frenchman writes about England. Read what André Siegfried writes in his book about the English crisis. He reproaches England and her unwillingness to change her customs:

“England, through the voice of her press and her politicians, does not cease to congratulate herself upon the maintenance of the English standard of living as against the mediocrity and poverty of the Continent. They describe continental wages as starvation wages, slave wages, and the foreign competition that derives advantage from such wages, as unfair competition. With such standards English people cannot be expected to be satisfied. If it does so happen that the English worker eats better and enjoys more leisure, it is doubtless more expensive, but – so it is said – he ought not to be expected to change his habits. In short, the country has elevated itself to a certain level of life and refuses to give it up under the pressure of external competition.”

All this now belongs to the past in England. But we can see clearly how the Frenchman demands (as he says, for economic reasons), that the Englishman ought to change his habits. But what does this mean? It means giving up his national character. And in so far as the Englishman is, for the moment, compelled to lower his standard of living, he loses a part of his national individuality through French pressure. Turn again to André Siegfried:

“The English woman is not naturally a good household manager. She is a bad buyer and a bad cook, and she is not good at bringing up her children. She is a faithful and devoted wife but rather lazy. She often serves her household with tinned and ready cooked foods. She lacks taste and a sense of economy as they exist in France.”

These words imply that the failing of the Englishman consists principally in the fact that he is not a Frenchman. But what would happen to the world if the great British Empire were also to adopt more thrifty habits? If someone saves and deposits money in the Bank in order to draw interest, then others must work to provide the interest on the money that

has been saved. But if the whole world were as parsimonious as the French, modern economic activity would be unable to satisfy such a demand for interest. We may truly admit that saving is a virtue, but only within definite limits. It is only helpful when one part of mankind saves just as much as the other part may require as new capital for production. If one part of humanity saves more than the rest can use as capital for new production it becomes a pertinent question as to whether saving is a virtue or the reverse.

I am even ready to admit that the strong sense of thrift in France is a virtue, but I am not ready to admit that it should also be recommended to the English. On the contrary, it seems to me an excellent thing that all peoples are not thrifty, that they are not all French. In this connection I should like expressly to remark that I have the very highest respect for French civilisation. I realise the maturity of its culture. On the other hand English culture is younger and therefore reaches into the future.

How fateful an influence such criticism of England might become, the following words from André Siegfried may illustrate. He is apparently expressing in these words, not merely his own opinion but what he thinks is also the opinion of the world. Listen to what he says:

“English prosperity depends on the metallurgical, the cotton, wool and jute industries. In this sphere her manufactures are reliable and of deserved repute, though at times a little antiquated in the pattern. The public, however, wants something new. The English manufacture justly claims that his wares are good, lasting and indestructible. But we reply: that is just their fault. People want to go with the fashion and to be able to change more often.”

This seems to me to go too far, for I think it quite delightful that the Englishman should produce solid, reliable goods out of his phlegmatic temperament, even if he is in the danger, through his phlegmatism, of lagging a little behind the fashion. On the other hand I think it splendid that the Frenchman, with his sanguine temperament, should give the tone and lead the fashions of the world, for it is only the sanguine temperament of the French and the impulses of the old French culture that can properly fit a person for continual changes in fashion. Why should not France charm the world with her things of fashion while England provides wide and comfortable armchairs?

I should like, in this connection, not merely to compare France and England, for it seems to me that those who assert that national individuality should make its influence felt even in the economic sphere are quite right. German work seems to me to be characterised by this, that the German works best when he is able to incorporate an artistic element into his product, when he produces, not mass-produced articles which are an American speciality, but articles of individual excellence. Why should not all these things be possible in a system of world-economy within which competition could be kept within proper bounds by proper division of labour, leaving each nation to produce the things for which its ability, its suitability and its own character qualify it. But for this, trade must be free; trade barriers must be removed. It is quite false to think that State economic frontiers serve to protect and foster national individuality. The reverse is the case. Only a system of world-economy guided in the right manner and extending over the whole Earth can enable the individual human being to develop his national individuality in complete freedom and thus make it possible for nations to express the methods and pace of production that are native to the national spirit of each.

But it is just this development that is hindered by a one-sided administration of those stores of gold that function as the standard of value. Should the right insight into these matters be unable to make effective progress – and this unfortunately seems to be the case at the moment – then the nations who lack gold will be obliged to forsake the gold standard and to regard current production as a basis of currency along the lines indicated by Rudolf Steiner in his *Threefold Commonwealth*. Yet the abandonment of the gold standard is only the first step; other steps must follow. The German Government which is naturally unable to release itself from French demands, will be acting prudently if it avoids forsaking the gold standard by some sudden administrative act, but instead, awaits the time when, in spite of honest efforts to hold fast to the gold standard, the actions taken by other States cause the disappearance of gold. Then the question will really arise: What is to happen now?

What ought to happen at such a juncture will appear quite clearly from a consideration of the nature of world-economy. World-economy differs from national economy through the fact that it adjoins nothing else; it borders on nothing foreign. It is a self-supporting system of economy and must therefore perform within itself those

regulating functions which otherwise take place at frontiers. That which formerly was performed by the import and export of goods and by the movements of gold, that is to say, by the movements in space, it must learn to achieve within itself in *time*. For it is a peculiar feature of all economic systems that after a time a certain depreciation has to be written off. The necessity of such devaluation – such writing off – does not enter into the consciousness of any national economy, for whenever such a necessity presents itself to a national economy it makes good what is lacking from without by war or colonisation. A self-sufficient world-economy, however, arrives for the first time at the necessity of being obliged to carry out a conscious devaluation. That such a writing down of values is necessary can be seen from the fact that claims from wars or services of the past must never be greater than the capacity of the existing means of production can effectively satisfy.[†] Should they ever become or found to be greater, then arises the necessity of devaluation – writing down. For figures which exceed the capacity of the economic body are pure illusion, but an illusion which brings misery to one part of humanity and in its effect upon the world field of economic activity finally injures even those who demand such tribute. We are now beginning to perceive that the whole question of Reparations is in need of revision but the reasons for this revision, the fact that such revision is necessary in the interests of world-economy and that such devaluation or writing down must be consciously done – this is as yet only perceived by a few.

The problem of Reparations continually presents itself on a large scale, yet nowhere does there seem to be any inclination to consider how to conduct the necessary ‘writing off’ in a manner that will injure nobody. It seems to me that Rudolf Steiner is the only one who, in his *Threefold Commonwealth* and in his Lectures on *Economics* given to students of the subject in the year 1922, has pointed to those necessities of which modern humanity will have to become consciously aware. That which happens in the money market today no longer corresponds with the process of economic realities, consequently financial demands are being made which the economic body cannot satisfy. Finance is, however, only healthy when it acts purely as a mirror of industry and commerce, *i.e.* when it truly reflects the process of the production, circulation and consumption of goods and the functions of

[†] See *The Threefold Commonwealth* by Rudolf Steiner. Anthroposophical Publishing Co., London.

general social services. Whenever money or other purely financial values appear without compensation of some kind being given in exchange, economic disturbance follows, because false entries and balances appear in the world's book-keeping and in this sense the one-sided administration of gold amounts to falsification of the world's accounts. In a healthy social organism, money should only be a measure of value, a 'fleeting book-keeping,' as Rudolf Steiner once described it. But today money, and especially gold, is being used as an instrument of coercion.

Eliminate gold and politics and hand over the whole money system to an expert body who, with true economic insight will carry out their instructions to bring order into the world's book-keeping system. Then we shall see what currency really is, as defined by Rudolf Steiner: "Currency arises from the wise organisation of the whole economic system through its administration."

But Rudolf Steiner added: "Questions of currency will never be solved by legal action on the part of separate States; the States of today will only solve these questions by renouncing their right to separate solutions and by leaving their solution to a world-economic organism which will have to be independent of them."

There appears to be no way out of the tangle except by perceiving that only an independent economic life, organised on a world-wide scale, is capable of guiding us toward a solution of these burning questions of our time.